



Office of the Legislative Auditor

State of Montana

Report to the Legislature

February 1990

Performance Audit Report

Payroll/Personnel/Position Control System

This report contains recommendations for improvements in the administration of the P/P/P system. The recommendations address:

- ▶ State Auditor's Office support of the P/P/P system.
- ▶ Office of Budget and Program Planning procedures for monitoring position control.

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PERFORMANCE AUDITS

Performance audits conducted by the Office of the Legislative Auditor are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of four members of the Senate and four members of the House of Representatives.

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February 1990

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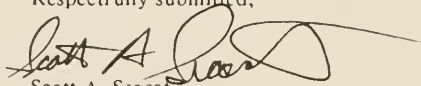
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The Legislative Audit Committee
of the Montana State Legislature:

We conducted a performance audit of the Payroll/Personnel/Position Control (P/P/P) system. The report contains recommendations concerning both the State Auditor's Office administration of the P/P/P system and the Office of Budget and Program Planning procedures for reviewing personnel budget information.

We wish to express our appreciation to the State Auditor's Office, Office of Budget and Program Planning, and the Personnel Division of the Department of Administration for their cooperation and assistance.

Respectfully submitted,


Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Performance Audit

Payroll/Personnel/Position Control System

Members of the audit staff involved in this audit were Dave Gould, manager; Mike Wingard, senior auditor; and Susan Jensen, staff auditor.

Table of Contents

| | | |
|---|--|-----|
| Report Summary | P/P/P System Administration | S-1 |
| | Data Integrity | S-2 |
| | State Auditor's Office Support of P/P/P | S-2 |
| | OBPP Procedural Changes | S-3 |
| Chapter I Introduction | Audit Objectives | 1 |
| | Scope of Audit | 1 |
| | Compliance | 1 |
| | Management Memorandum | 2 |
| | Central Review of Payroll Component | 2 |
| | House Bill 26 Study | 3 |
| Chapter II System Background | Introduction | 5 |
| | P/P/P System Development | 5 |
| | Funding | 6 |
| | Current P/P/P System Capabilities | 7 |
| | Payroll Processing | 8 |
| | Input Forms | 8 |
| | Payroll Management Reports | 8 |
| | Personnel Component Functions | 9 |
| | Personnel Management Reports | 10 |
| | Position Control Functions | 10 |
| | Input Documents | 11 |
| | Position Control Reports | 11 |
| | Administering Agency Responsibilities | 12 |
| | Role of the State Auditor's Office | 12 |
| | Input of P/P/P Information | 12 |
| | Review of Processed Data | 12 |
| | P/P/P Report Distribution | 13 |
| | P/P/P Coordinator | 13 |
| | Personnel Division Determines Position Classification | 13 |

Table of Contents

| | | |
|-------------------------|--|----|
| | The Office of Budget and Program Planning | |
| | Administers Position Control | 14 |
| | P/P/P Snapshot for Budget Development | 14 |
| | P/P/P Coordinating Committee Created | 14 |
| Chapter III | | |
| System Adequacy | Introduction | 15 |
| | Data Integrity Controls Are Adequate | 15 |
| | Position Control Report Information | 16 |
| | Differences Between the P/P/P | |
| | System and SBAS | 16 |
| | Personal Service Expenditure Inaccuracies in | |
| | P/P/P | 17 |
| | Usage of Control Variables to Designate | |
| | Funding Sources and Track Expenditures | 18 |
| | State Auditor's Office Support of P/P/P | 19 |
| | Agency Concerns with P/P/P System | 20 |
| | Review of User's Manual and System Utilization | 20 |
| | Increased Support by SAO Needed | 21 |
| | An Internal P/P/P Procedures Manual Needed | 22 |
| | OBPP Should Develop a Position Control | |
| | Procedures Manual | 23 |
| Agency Responses | Department of Administration | 27 |
| | Office of the Governor | 29 |
| | State Auditor's Office | 30 |

List of Tables

| | | |
|----------------|---|----|
| <u>Table 1</u> | Central Payroll Division Expenditures (Unaudited) (Fiscal Years 1987-88 and 1988-89) | 6 |
| <u>Table 2</u> | P/P/P Database System | 7 |
| <u>Table 3</u> | Comparison of Personal Services Expenditures Between SBAS and P/P/P (Fiscal Year 1987-88) | 18 |

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Report Summary

Our performance audit concentrated on the personnel and position control components of the Payroll/Personnel/Position Control (P/P/P) system. The P/P/P system is a computerized database which integrates data, eliminates redundancy, and facilitates access to the data by qualified users. The database also permits centralized control over data, and restricts access, which helps ensure the integrity of the material in the database. The following sections summarize our audit results.

P/P/P System Administration

In 1978 the Department of Administration initiated a study of various alternatives to existing personnel, payroll and position control systems. An integrated system was proposed to provide record-keeping, processing, and reporting capabilities to support the payroll, personnel and budget functions. The P/P/P system became operational on January 1, 1982. The P/P/P system was initially funded through the State Auditor's Office, the Governor's Office, and the Department of Administration. Since July 1, 1983, overall responsibility for the entire P/P/P system has been with the State Auditor's Office. The Central Payroll Division operates the P/P/P system and the application is on the mainframe computer operated by the Information Services Division of the Department of Administration. The program is supported with General Fund and State Special Revenue Funds.

Although the State Auditor's Office receives the funding necessary to operate the P/P/P system, there are two other agencies involved with the system's administration: the Personnel Division of the Department of Administration and the Office of Budget and Program Planning. The State Auditor's Office operates and maintains the system. Office staff input, process, and distribute all P/P/P-related data. The Department of Administration's Personnel Division provides centralized personnel services to state agencies and uses P/P/P data in a variety of ways. Additionally, the Personnel Division must also review and approve user agency-submitted position detail forms.

Report Summary

OBPP is responsible for the monitoring and approval of executive branch changes in FTE levels and personal services expenditures.

Data Integrity

We examined all aspects of the position control and personnel components of the P/P/P system; from the accuracy of the various P/P/P reports to administration of the system. We found the Position Control Reports may be misleading. The reports show an employee's authorized grade and salary, which may not be the same as the employees actual grade and salary. Without interpretation from the applicable agency, a Position Control Report user could read data which is either confusing or misleading.

We also determined personal service expenditure amounts detailed in the P/P/P reports seldom match personal service expenditure amounts detailed in SBAS. Agency personnel indicated differences occur because of the time and effort it takes to make manual adjustments to the P/P/P system. In order to provide the most accurate and comprehensive information possible to the agencies and Legislature, automating the P/P/P - SBAS adjustment process is an alternative.

Additionally, the P/P/P system does not provide the necessary flexibility to show different funding sources for specific personnel. As a result, it is difficult to track personal services expenditures from SBAS reports back to P/P/P position control documents. We believe a change in P/P/P system flexibility would likely encourage additional agency utilization and provide better data integrity between P/P/P and SBAS.

State Auditor's Office Support of P/P/P

During our audit we sent questionnaires to all state agencies and visited 11 of these agencies. We asked various questions concerning the adequacy of the P/P/P system and ease of system use. The questionnaire responses and agency visits revealed an overall concern with the amount of support provided by the State Auditor's Office. We recommend the State Auditor's Office increase its support to the P/P/P system by updating the

User's Manual, increasing the emphasis on making the system more user-oriented, and providing a readily accessible P/P/P Coordinator.

Interviews with Central Payroll Division staff revealed there are no formalized procedures for processing of agencies' forms and reports. A formal procedures manual would allow new or alternate personnel to more quickly and correctly assume the position responsible for the input and processing of P/P/P data. We believe the State Auditor's Office should develop a procedures manual for the personnel and position control components of the P/P/P system.

OBPP Procedural Changes

According to section 2-18-204, MCA, OBPP is responsible for monitoring and evaluating position control for all agencies. This procedure includes reviewing and approving Position Detail Forms, determining legislative intent and authority to add new positions, and monitoring personal services expenditures. We determined the above procedures are generally the responsibility of one individual and that the review and approval procedures have never been formalized or standardized. We believe OBPP should develop a formalized procedure manual detailing position control activities and initiate a backup procedure for position control review.

Chapter I Introduction

Audit Objectives

As a result of questions from members of the Legislature about the accuracy of the Payroll/Personnel/Position Control (P/P/P) System, the Legislative Audit Committee requested a performance audit of the P/P/P system. The overall audit objectives were to identify various P/P/P system functions and to evaluate those functions to determine adequacy. Our primary focus was on the personnel and position control components of the system. The payroll function is audited annually as part of a central review conducted by our office.

Scope of Audit

The audit was conducted in accordance with government auditing standards for performance audits. To determine system development and use, we reviewed background information obtained from the Department of Administration's System Development Bureau. We evaluated the operation and coordination of the system among state agencies to examine system accuracy and efficiency. We sent out questionnaires to obtain information and opinions regarding system utilization and visited agencies to obtain information on P/P/P usage and to compare P/P/P reports against source documents which were used to create the P/P/P reports. Additionally, we tested the system's application controls to obtain assurance of accuracy regarding input, processing and distribution of P/P/P data.

Compliance

We tested compliance with applicable federal and state laws and rules and Montana Operations Manual policies. The areas tested included a review of compliance with federal laws relative to confidentiality of employee records in the P/P/P system and with state statutes and Montana Operations Manual record retention requirements for P/P/P documentation. Generally, we found the agencies tested to be in compliance with applicable federal and state laws and rules.

Chapter I Introduction

Management Memorandum

During our audit we asked officials at the State Auditor's Office and the Office of Budget and Program Planning for written responses to selected audit points. These areas related to the report issues and recommendations discussed in Chapter III. In addition, we sent a management memorandum to the State Auditor's Office recommending increased control over various P/P/P forms submitted by user agencies in order to gain assurance input forms are not lost or misplaced.

Central Review of Payroll Component

The Central Review is conducted by our office annually at the Information Services Division, Department of Administration; the Accounting Division, Department of Administration; and the State Auditor's Office. The review examines general controls over the mainframe computer operated by the Information Services Division and application controls related to four systems which operate on the mainframe computer. The systems include Central Payroll System, Warrant Writing System, Statewide Budgeting and Accounting System (SBAS) and the Property Accountability and Management System (PAMS).

The objective of the Central Review is to identify and test centralized controls over the selected data processing systems. The information gathered about the various systems is used to identify controls which can be relied upon when conducting financial-compliance, performance, and EDP audits. Since the Central Review examines and tests the payroll component of the P/P/P system, this P/P/P performance audit concentrated on the personnel and position control components. The results of the Central Review indicate the payroll component provides adequate controls over the input, processing and output functions of the system.

House Bill 26 Study

The 1989 Legislature passed House Bill 26, Chapter 592, Laws of 1989, which requires the State Auditor to provide for inclusion of the units of the University System and vocational-technical centers into the state central payroll system. The Legislature also requested a study be completed by November 1, 1989, to determine the necessary modifications and costs required for the University System to be included under a uniform state central payroll, personnel, and position control system. Upon completion of the study, all units of the University System are to be on the central system no later than January 1, 1991. The vocational-technical centers were put on the payroll system July 1, 1989.

The study group consists of representatives from the Office of Budget and Program Planning (OBPP), Legislative Fiscal Analyst's Office, State Auditor's Office, Commissioner of Higher Education, Department of Administration, university units, vo-techs, and Office of the Legislative Auditor. The study group has developed a project plan for study and implementation of the legislative mandate; however, the final study will not likely be completed until March 1990. Implementation of the central system is still scheduled for January 1, 1991. At this time it is unknown whether the existing P/P/P system will be able to be used as the central system or whether an alternate system will be necessary.

Chapter II System Background

Introduction

This chapter provides an overview of the P/P/P system. It outlines the development and features of the system. It describes current system capabilities and the reports generated. The chapter also describes the administering and user agency responsibilities relative to the operation and coordination of the system.

P/P/P System Development

In 1978, the Department of Administration initiated a study of various alternatives to existing personnel, payroll and position control systems. At that time there were three separate systems. The personnel system was a combination of centralized and decentralized functions, most of which were manual. The payroll system was a combination of centralized and decentralized functions. These functions were mostly automated and controlled by the Central Payroll Division within the State Auditor's Office. Position control was controlled by the Office of Budget and Program Planning (OBPP) and was also a combination of manual and automated functions.

An integrated system was proposed to provide record-keeping, processing, and reporting capabilities to support the payroll, personnel and budget functions. Position classification, position control, personnel and payroll information were to be integrated; thereby providing data necessary to pay employees and execute and monitor policies and procedures related to personnel and the budget.

The P/P/P system became operational on January 1, 1982. It was essentially a combination of the former payroll and position control systems, and a new personnel record-keeping system. The advantage being, data needs were not duplicated and cross checks could be run to assure accuracy. The P/P/P system was initially funded through the State Auditor's Office, the Governor's Office, and the Department of Administration.

Chapter II System Background

Funding

Since July 1, 1983, overall responsibility for the entire P/P/P system has been with the State Auditor's Office. The Central Payroll Division operates the P/P/P system and the application is on the mainframe computer operated by the Information Services Division of the Department of Administration. The program is supported with General Fund and State Special Revenue Funds. The Special Revenue Funds are obtained through a payroll service fee assessed against non-General Fund operations. The following chart shows expenditures for the Central Payroll Division for fiscal years 1987-88 and 1988-89.

Table 1
Central Payroll Division Expenditures (Unaudited)
(Fiscal Years 1987-88 and 1988-89)

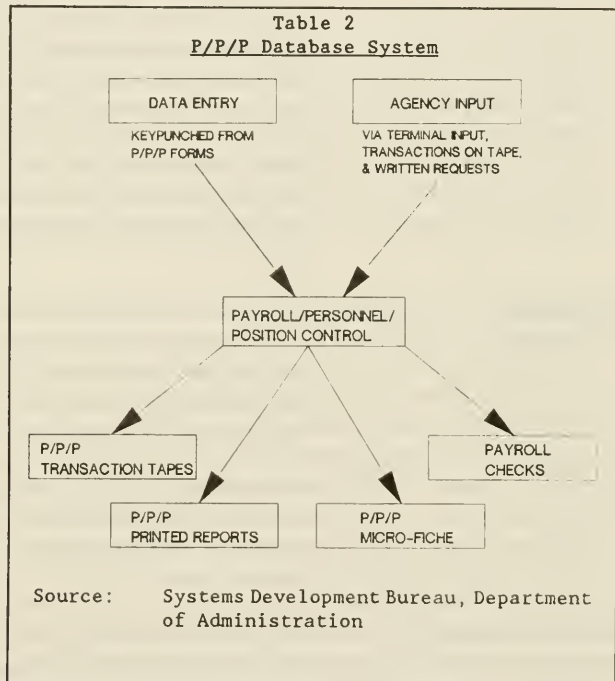
| EXPENDITURE CATEGORY | FY 1987-88 Actual | FY 1988-89 Actual |
|-------------------------|----------------------|----------------------|
| Personal Services | \$222,908 | \$231,628 |
| Operating Expenses | 611,130 | 597,385 |
| TOTAL EXPENSES | \$834,038 | \$829,013 |
| FUNDING | | |
| General Fund | \$612,222 | \$570,202 |
| State Special Revenue | 221,816 | 258,811 |
| TOTAL FUNDING | \$834,038 | \$829,013 |

Source: Compiled by the Office of the Legislative Auditor from the Statewide Budgeting and Accounting System

Current P/P/P System Capabilities

The P/P/P system is a database made up of three components: payroll, personnel and position control. A database typically has two important properties: it is integrated and it is shared. Integrated means previously distinct data have been logically organized to eliminate redundancy and to facilitate access to the data. Shared means qualified users have access to the same data. A database also permits centralized control over data, security restrictions, and integrity of the material in the database. The following is an illustration of the P/P/P database.

Table 2
P/P/P Database System



Chapter II System Background

Payroll Processing

The primary purpose of the payroll processing component of the system is to issue and track state of Montana employees' wage and benefit payments. Much of the payroll information is first entered on a paper form and then key punched before being transmitted to the system. The State Auditor's Office is currently working with state agencies to replace these forms with on-line screens that will allow direct entry of payroll information to the system.

The P/P/P system processes payroll on a biweekly basis. The prepayroll process collects the biweekly payroll information. A microcomputer based system is currently available for collection and transmission of payroll information to and from user agencies. At the completion of each payroll process, payroll checks are printed and a computer tape of the payroll transactions is created to update the Warrant Writing System with the payroll information. The information requirements and reporting capabilities for the payroll component are summarized below.

Input Forms

A new employee is added to the P/P/P system via the Payroll Status Form. This form is used as the source document for capturing the core information required by the system to pay employees' wages and benefits. This form is also used to change employee status information after an employee has been added to the system. In addition to the payroll status form, there are forms to take care of payroll deductions, direct bank deposits, employee terminations, leave and service balance adjustments, and automatic salary increases, such as the recent 2.5 percent salary increase.

Payroll Management Reports

There are 17 different payroll management information reports routinely generated from the input forms/data submitted by state agencies. Additionally, a significant number of specialized reports have been created to provide information to requesting agencies. Some of the payroll reports include the Calculate Detail Listing, the Leave Service Accounting and Leave Liability Report, and Warrant Stub/Payroll Advice Report. The

Calculate Detail Listing provides payroll payment information for each employee and gives agency totals for the current pay period and year to date. The Leave Service Accounting and Leave Liability Report is a social security number ordered listing of total compensatory time, sick leave, and annual leave earned and used for each employee by agency. The Warrant Stub/Payroll Advice Report contains detailed payment and deduction information for each user agency employee for the current pay period. The information is either attached to an employee's payroll check or issued as a payroll advice if direct deposit is used.

Personnel Component Functions

The personnel component of the system records detailed information about each user agency employee. Personnel information input (both in paper form and on-line) into the P/P/P system includes data on birth date, sex, EEO, disability, and emergency notification information. Much of this information is maintained to insure adherence with state and federal labor laws. In addition, performance appraisal, training, and job recruitment information can be captured.

In order to compile personnel data, agencies must submit information for each of the specific personnel functions. Much of the information is captured and/or changed via P/P/P documents such as the Payroll Status Form and Position Detail Form. The Personnel Turnaround Document Report informs both the employee and the agency of personnel data held in the system. This document is the primary means for reporting and verifying employee P/P/P information. This report is issued to employees upon their request. Individual training information can also be maintained for each employee. State employee training information may be input to the system using four different methods: on-line entry; form input; the Personnel Turnaround Document; and by the Department of Administration which automatically updates training records whenever an employee takes a department-sponsored training course.

The P/P/P system provides the option for agencies to input information on when employee performance appraisals are to be

Chapter II System Background

completed and to subsequently receive monthly reports notifying agencies of employees due for a performance appraisal.

The P/P/P system also tracks applicants seeking employment with state agencies. The Applicant Flow process deals with the tracking of applicants from the opening of a position to the filling of that position. An on-line system is available for maintaining and retrieving job applicant and recruitment information. This information is used in the compilation and completion of agencies' Affirmative Action plans and in the provision of EEO/Affirmative Action information necessary to comply with federal government laws and rules.

Personnel Management Reports

As with the payroll component, there are a multitude of personnel management reports generated using data input by user agencies. The reports range from an Employee Master List which provides current and historical P/P/P information for an individual state employee to an Unfilled Position Vacancy Report which provides a list of all vacant positions within an agency on a monthly basis. Additional reports include a Completed Training Analysis Report which summarizes the number of employees, total hours, and dollars spent for completed training and a Turnover Summary Report which lists all employees terminating employment and the reason for termination.

Position Control Functions

The position control component of the system provides the mechanism to manage user agency personnel budget information. Personnel budget information includes data on employee position number, grade, step, classification code, date of hire, longevity, amount of money budgeted for the position, and the portion of the budgeted amount expended up to that point in a fiscal year. Information for the position control component of the system can be updated using the on-line system and/or by completing appropriate position control documents.

Input Documents

The Position Detail Form (PDF) is the primary instrument for adding, changing, and deleting position control information. The on-line portion of position control allows agency personnel to make adjustments to employee expenditure information by moving dollars and hours recorded for one expenditure type/position to another. Other position control forms include the PDF for Aggregate Budget Positions, and the Position Expenditure Adjustment Form. All these forms allow input of data regarding the adjustment of expenditures and/or personal services budgets. The Control Variable Information Form allows agencies to group positions within programs by the use of control variables. The Budget by Position Schedule Turnaround Document provides agencies with a list of their authorized positions for the next fiscal year in combination with the current budget and projected budget figures. It allows agencies to change and verify personnel budget information. At the completion of agency modifications, and approval by OBPP, this schedule will be input into the P/P/P system to establish the Position Control system for the next fiscal year.

Position Control Reports

Reports generated from the input of agency position control information inform agencies of their FTE levels and personal services budgets. The Position Control Report is a detailed budget analysis of each program within each agency. Budgeted amount, current expenditures, and balance remaining are shown for each authorized position and in summary for each agency program. This report is distributed biweekly to help agencies manage their personal services budget. The Expenditure Processor Report (also distributed biweekly) informs agencies of budget adjustments that are a result of changes to P/P/P information via the Payroll Status Form and the Employee Termination Form. It alerts agency personnel of possible payroll expenditure errors and provides sufficient detail to enable completion of the Position Expenditure Adjustment Form. The Position Control System Transactions Report lists all position control expenditure adjustments completed using the on-line system. Hours and dollar adjustment amounts are shown for each budget type for each employee.

Chapter II System Background

Administering Agency Responsibilities

Although the State Auditor's Office receives funding to operate the P/P/P system and is ultimately responsible for its operation, there are two other agencies involved with the system's administration: the Personnel Division of the Department of Administration and the Office of Budget and Program Planning (OBPP). The following sections describe the activities of all three agencies and the role of the P/P/P Coordinating Committee.

Role of the State Auditor's Office

The State Auditor's Office Central Payroll Division is responsible for the overall administration of the P/P/P system. This includes operation and maintenance of the system as well as responsibility for input, processing, and distribution of all P/P/P-related data.

Input of P/P/P Information

For position control and personnel data, a technician in the Central Payroll Division receives the various input documents, reviews them for completeness, identifies what action(s) the input form is submitted for, and submits the documents for input. The input forms include the Position Detail Form, Expenditure Adjustment Form, EEO Input and Emergency Notification Form, Performance Appraisal Notification Form, and Employee Training Input Form.

Review of Processed Data

After the forms have been input, the technician gets an Accepted/Rejected Edit Report which shows all errors. The report explains what is rejected on the data input. The technician then makes the necessary changes to correct the error and resubmits the data for processing. If an error cannot be corrected, the transaction is deleted, and the responsible agency must resubmit the data. Upon submission of all the input and after any error corrections have been made, the technician receives an Update Audit Trail Report which shows when everything has been processed and what the processing consisted of in terms of system changes. The report shows every transaction and when it has been processed or when it is corrected. An additional control to assure system accuracy is a comparison of the current pay period expenditures obtained

from the Statewide Position Control Report and the payroll figure on the Calculate Detail Listing. These two figures must balance prior to the distribution of the Position Control Reports.

P/P/P Report Distribution

The Position Control Reports as well as all other P/P/P reports are distributed on a cyclical basis. Some reports are distributed biweekly and others monthly, quarterly or semiannually. The reports are directed to specific personnel in each agency to assure appropriate review and to restrict access to confidential employee data. State agencies may also request special P/P/P reports which may be either regularly scheduled or completed on an occasional basis. Both the Personnel Division and OBPP receive nonstandardized P/P/P reports, such as the Salary Monitor and Vacancy Savings Reports.

P/P/P Coordinator

Initially, the State Auditor's administration of the P/P/P system included a person who was to assist with coordination of the three system components and to assure the integrity of the data within the system. The first P/P/P Coordinator developed the P/P/P User's Manual and initially helped agencies to utilize the P/P/P system. This individual was also to be a liaison between the administering agency and the user agencies and act as a technical resource for utilization questions and problem resolution. During our audit, the P/P/P Coordinator position was vacant. See page 21 for further discussion of the role of the P/P/P Coordinator.

Personnel Division Determines Position Classification

The Department of Administration's Personnel Division provides centralized personnel services to state agencies including position classification, employee relations, labor relations, and development of personnel policy. The division uses the P/P/P system in a wide variety of ways. The system compiles data to comply with federal EEO/Affirmative Action requirements and to monitor the salaries and new hires of state agencies.

The Personnel Division must also review and approve agency-submitted Position Detail Forms (PDF) prior to input into the P/P/P system if the PDF action is to add or change a position

Chapter II System Background

within an agency. The purpose of its review is to determine the proper position classification for the proposed "add" or "change."

The Office of Budget and Program Planning Administers Position Control

OBPP is responsible for the monitoring and approval of Executive Branch agency changes in FTE levels and personal services expenditures. All PDFs which add, change, delete or otherwise affect an agency's personal services budget and FTE levels must be reviewed and approved by OBPP prior to input into the P/P/P system. Additionally, OBPP reviews agency Position Control Reports and on-line expenditure adjustments to monitor agency activities regarding personal services.

P/P/P Snapshot for Budget Development

During the budget development process, OBPP takes a "snapshot" of the P/P/P system on two different occasions. The snapshot is an extraction of personal services-related data from the P/P/P system at a pre-determined date. The snapshots are typically taken in April and again in July. The first snapshot is used to set FTE levels for the upcoming fiscal year and the second is used to obtain information used by OBPP in developing the executive budget. The April snapshot information obtained by OBPP is shown in the Budget by Position Schedule Turnaround Document and is modified/verified by the agencies and reviewed by OBPP prior to input into the P/P/P system.

P/P/P Coordinating Committee Created

In October 1988, an ad hoc P/P/P Coordinating Committee was formed to coordinate the operations of the P/P/P system. Committee members include the administrators of the Personnel and Information Services Divisions, the Central Payroll Division, and an OBPP representative. Committee objectives are to provide agency coordination, long-range planning, priority setting, policy formulation, and budget development and monitoring. Currently, the P/P/P Coordinating Committee meets on a quarterly basis and its most recent meeting agenda included discussion of on-line data entry, the entry of the vo-techs onto the P/P/P system, and the University System payroll project.

Chapter III System Adequacy

Introduction

One purpose of this audit was to determine the accuracy of the P/P/P system. This chapter discusses the overall reliability of data within the P/P/P system and outlines our general audit findings regarding system adequacy.

The P/P/P system is a database comprised of payroll, position control, and personnel information. The significant feature is the ability to have the data integrated, with the advantage being, data needs are not duplicated and cross checks can be run to assure accuracy. In addition, all qualified users can have access to centrally-located data for use in a variety of activities.

We believe the P/P/P system has the capability to provide accurate and reliable information. However, the data generated by the system is only as good and complete as the information input and used by the agencies. The administering agencies (State Auditor's Office, Department of Administration, and OBPP) should continue to initiate system enhancements and make every effort to encourage system usage and accuracy by the user agencies.

Our audit work revealed there are circumstances where part of the information on P/P/P reports can be misleading or incomplete, depending upon the user. The following sections discuss these issues and provide information on system adequacy. The last three sections include specific recommendations to the State Auditor's Office (SAO) and OBPP to help them administer their P/P/P related activities.

Data Integrity Controls Are Adequate

We examined all aspects of the position control and personnel components of the P/P/P system; from the accuracy of the various P/P/P reports to the administration of the P/P/P system. We also examined the controls over the input, processing and output of P/P/P information. While our audit work did reveal some deficiencies in the system, we generally believe there are adequate controls in place to assure data integrity.

Chapter III System Adequacy

There are two levels of review for positions being added to the system (OBPP and Personnel Division): a review of all user agency input forms submitted to SAO via edit and audit reports; and a final review of all P/P/P data by the user agencies themselves.

Position Control Report Information

In an effort to determine the accuracy of the information detailed in various P/P/P reports, we compared P/P/P reports against various source documents. Our comparison of Position Control Reports versus Payroll Status Forms revealed the Position Control Reports can and do provide misleading information regarding an employee's grade, classification code, and salary. What the Position Control Report shows for an employee's grade, job classification, and salary does not always represent the person's actual grade, job classification, or salary. The Position Control Report provides data on the authorized grade, classification code, and salary. Differences occur because of agencies underfilling positions, using training assignments, delays in getting positions classified/reclassified, and the timing of position changes versus the issuance of the Position Control Reports. We found in 12.3 percent of 154 positions we reviewed that the employee's actual data did not match the data in the Position Control Report. Additionally, there is nothing in the Position Control Report that would indicate a difference exists.

Although a Position Control Report may have different data regarding an employee's grade and classification, we determined the reported personal services expenditures for that individual (which are based on their actual grade) are correct. Despite this, without interpretation from the applicable agency, a Position Control Report user could read data which is either confusing or misleading.

Differences Between the P/P/P System and SBAS

During our audit, concern was expressed that personal service expenditure amounts detailed in the P/P/P reports seldom match personal service expenditure amounts detailed in Statewide Budgeting and Accounting System (SBAS) reports. As part of the questionnaire we sent to state agencies, we asked whether

agencies adjust P/P/P to match with SBAS. While a majority of the agencies indicated they do, our follow-up work at the agencies visited indicated this adjustment is not a formal one. None of the agencies we visited make complete, formal adjustments to P/P/P to reflect SBAS. The agencies make informal reconciliations between the two systems to keep themselves aware of the differences.

As a result, the P/P/P reports showing personal service expenditures may be inaccurate because of such things as cancelled warrants and agency Workers' Compensation rebates which are corrected on SBAS but which are likely not corrected on P/P/P. Agency personnel indicated adjustments are not made because of the time and effort it takes to make P/P/P adjustments-which on the P/P/P system would have to be changed by an individual position's social security number, rather than by adjusting the "total" as is done with SBAS.

Personal Service Expenditure Inaccuracies in P/P/P

Since making some formal adjustments to the P/P/P system is time-consuming, and because there is no formal policy or mandate for the agencies to reconcile the two systems, the P/P/P system may provide incomplete information. The following table provides a comparison of personal services expenditures between SBAS and P/P/P for three agencies for fiscal year 1987-88.

Chapter III System Adequacy

Table 3
Comparison of Personal Services Expenditures
Between SBAS and P/P/P
(Fiscal Year 1987-88)

| | <u>Montana</u> <u>Developmental</u> <u>Center</u> | <u>Montana</u> <u>State</u> <u>Hospital</u> | <u>Department</u> <u>of Family</u> <u>Services</u> |
|------------|---|---|--|
| SBAS | \$10,118,107 | \$17,519,361 | \$12,845,515 |
| P/P/P | <u>10,246,415</u> | <u>17,664,506</u> | <u>12,789,913</u> |
| Difference | \$ (128,308) | \$ (145,145) | \$ 55,602 |

Source: Information obtained from documentation provided by the Legislative Fiscal Analyst's Office

In order to provide the most accurate and comprehensive information possible to the agencies and the Legislature, SBAS and P/P/P should match. Automating the P/P/P-SBAS adjustment process is an alternative. The systems would be reconciled on an on-going basis (i.e., any adjustments to SBAS would automatically be made to P/P/P) and agencies would not have to make manual adjustments. An informal estimate by a Systems Development Bureau official placed the initial cost of such a system enhancement at \$18,000.

Usage of Control Variables to Designate Funding Sources and Track Expenditures

Control variables in the P/P/P system provide a means for a user agency to group positions within a specific program. For example, a user agency may use a control variable number as a designation for persons within a specific bureau of the organization. For SBAS a reporting center or responsibility center number is used for the same purpose. Both may be used by the agency for the same bureau or program designation.

Currently, agencies do not consistently use the same control variable numbers and reporting/responsibility center numbers

when referring to the same program. During our visits to user agencies, officials of three agencies indicated the P/P/P system does not provide the necessary flexibility to show the different funding sources for specific personnel. The officials indicated that while they are able to use control variables to group positions within programs, the P/P/P system will only allow them to put a position in one control variable per program. As a result, agencies are not able to accurately display the multiple funding sources used to pay some agency personnel. This makes it difficult to track personal service expenditures from SBAS reports back to P/P/P position control documents. The tracking of expenditures to a specific funding source is sometimes necessary to determine agency compliance with legislative intent/authorization regarding FTE levels.

We believe the agencies' lack of flexibility in using control variables and the limitations in tracking agency personal services expenditures back to P/P/P position control are interrelated. By expanding or altering how control variables are used, agencies would be able to more accurately display the funding sources for personnel and subsequently, it would be easier to track how those funds are expended. Since a change or enhancement in the P/P/P system would be necessary to provide this flexibility, we asked a Systems Development Bureau official for an estimate of the enhancement cost. An informal estimate of \$20,000 was given. We believe a change in P/P/P system control variable flexibility would likely encourage additional agency utilization and provide better data integrity between P/P/P and SBAS.

State Auditor's Office Support of P/P/P

During our audit we sent questionnaires to all state agencies and visited 11 of these agencies. We asked various questions concerning the adequacy of the P/P/P system and ease of system use. Our questions focused on the personnel and position control components of the P/P/P system. The questionnaire responses and agency visits revealed an overall concern with the amount of support provided by the State Auditor's Office (SAO) relative to the provision of P/P/P training, adequacy of the P/P/P User's Manual, and ease of P/P/P system use.

Chapter III System Adequacy

Agency Concerns with P/P/P System

Agency officials were frustrated by the lack of training available for their personnel regarding the P/P/P system and with the inability to obtain consistent and accurate information from SAO concerning queries about system usage. Many agency officials believed previous P/P/P Coordinators did not spend adequate time providing technical assistance/training to agencies. This resulted in agencies not taking full advantage of system capabilities.

Agency officials also believe the lack of involvement/support by SAO is evidenced by a P/P/P User's Manual which is out-of-date and too complicated. Agency personnel stated the manual is difficult to use because of the manual's organization, lack of detail regarding problem resolution, and because it does not accurately reflect how some input forms are currently completed.

Some agency officials indicated the P/P/P system is not user-oriented. They minimize their utilization of the system to what is necessary. As a result, many agencies do not use the P/P/P system to track employee training or to notify them of when employee performance appraisals are due. Agency personnel stated various aspects of the P/P/P system (including performance appraisal notification) might be better utilized if more of the system had on-line capability and existing system options were simplified.

Review of User's Manual and System Utilization

Although our primary source of information regarding the adequacy of P/P/P system support has come from agency responses, our review of the User's Manual and identification of system utilization confirms what the agencies described. The User's Manual is in need of revision and updating. For example, staff who are listed in the manual to call for assistance are no longer in those positions, and the manual indicates there is training readily available as well as a user's group which meets monthly to discuss system problems, neither of which is the case.

Additionally, there are a number of agencies which are unfamiliar with all the various reports/options the system has to offer. For example, we found three agencies which were not aware of the purpose of the Expenditure Processor Report and do not utilize control variables because they did not know what their purpose/advantage is. Our audit work also indicated only three agencies fully utilize the training options and just five agencies use the performance appraisal notification capability. The questionnaire responses and our visits to agencies overall revealed many user agency personnel believe training in P/P/P system utilization would improve the personnel and position control components of the P/P/P system.

Increased Support by SAO Needed

We believe the P/P/P system has capabilities to provide useful, accurate information to its users. The system provides data on such wide-ranging topics as the type of job applicants who apply for agency position vacancies to a report on vacancy savings. In addition, SAO is working with the Systems Development Bureau on P/P/P system enhancements which will allow additional on-line database inquiry by user agencies. However, the P/P/P system is a service-oriented system dependent upon the agencies to provide data and utilize the system. As such, the system (in order to promote agency utilization and maximum effort regarding data integrity) should be user-oriented. Such a system provides support regarding system usage, problem resolution, and encourages feedback on needed improvements or system alterations.

The State Auditor's Office should increase its support to the position control and personnel components of the P/P/P system. This can be done by updating the User's Manual, increasing the emphasis on making the system more user-oriented, and providing a readily accessible, active P/P/P Coordinator. The coordinator should provide training, problem resolution, and be a full-time liaison between the State Auditor's Office and the user agencies. The State Auditor's Office has indicated a major rewrite of the P/P/P User's Manual is to begin in January of 1990.

Chapter III System Adequacy

Recommendation #1

We recommend the State Auditor's Office:

- A. Increase its support of the P/P/P system; and,
- B. Develop a User's Manual which promotes agency utilization of the P/P/P system.

An Internal P/P/P Procedures Manual Needed

We observed and evaluated the Central Payroll Division's procedures regarding personnel and position control forms submitted for input to the P/P/P system. Our purpose was to determine whether these procedures affect the accuracy and/or efficiency of information generated by the P/P/P system. Specifically, we looked at input, review, correction, and distribution procedures for personnel and position control documents submitted by agencies.

Our review of the Central Payroll Division's procedures for the processing of agencies' forms and reports revealed there are no formalized procedures. Interviews with Central Payroll Division staff indicated the procedures they have used to process the personnel and position control reports have been learned through on-the-job training. While we did not observe any significant deficiencies in the procedures used by the personnel, it was difficult to evaluate without criteria to measure against.

The need for standardized, consistent procedures regarding input and processing of P/P/P data has increased as a result of recent turnover in the position responsible for the input and processing. A formal procedures manual would allow new or alternate personnel to more quickly and correctly assume the duties of the position. The procedures manual should detail what is to be done with forms submitted for input, specify what personnel should look for to assure processing, and include what action is necessary when forms have errors or have been rejected by the system. Additionally, there should be specific

guidelines to assure proper distribution and confidentiality of the material compiled. The State Auditor's Office stated preliminary work on a procedures manual has already begun.

Recommendation #2

We recommend the State Auditor's Office develop a procedures manual for the personnel and position control components of the P/P/P system.

OBPP Should Develop a Position Control Procedures Manual

According to section 2-18-204, MCA, OBPP is responsible for monitoring and evaluating position control for all agencies. This procedure includes reviewing and approving Position Detail Forms submitted by state agencies, determining legislative intent and authority to add new positions, and reviewing Position Control Reports to monitor personal services expenditures of state agencies. Based on our interviews, we determined the above procedures (position control) are generally the responsibility of one individual.

Currently, the individual performing these responsibilities is the only person who has ever been in charge of these duties. The person does not have a "backup" or alternate who can perform these duties. Additionally, the duties and responsibilities of this individual have been formulated over time and established by necessity. As a result, the individual's review and approval procedures regarding position control have never been formalized or standardized.

By not having a backup person and a formalized procedures manual for position control, OBPP is creating the potential for unnecessary delays/problems in the position control component of the P/P/P system. If the current individual were to leave, OBPP does not have either a backup person who could readily take over position control or a procedures manual to train a new person in position control. As a result, there would be no one

Chapter III System Adequacy

readily available to review agency requests for new positions, monitor personal services expenditures, or make determinations of FTE levels when "snapshots" are taken. The loss of this individual would disrupt position control by OBPP, at least temporarily. OBPP officials have indicated they are in the process of assigning a "backup" person and will be developing a procedures manual for position control.

Recommendation #3

We recommend OBPP:

- A. Develop a formalized procedure manual detailing position control activities; and,**
- B. Initiate a backup procedure for position control review.**

Agency Responses

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



STAN STEPHENS, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444 2032

HELENA, MONTANA 59620

January 25, 1990

RECEIVED

JAN 27 1990

Director's Office

Jim Pellegrini
Deputy Legislative Auditor
State Capitol
Helena, MT 59620

Dear Jim:

The Department of Administration concurs with all recommendations contained in the Discussion Draft of the December, 1989 Performance Audit Report of the Payroll/Personnel/Position (P/P/P) System.

We are particularly pleased that the audit was undertaken to address questions regarding the accuracy of the P/P/P System. This has provided for an objective review of the system which has been criticized in the past for not meeting the needs of the agencies. This department has always felt that the P/P/P System can be a valuable tool for agencies, and welcomes any efforts that serve to encourage greater use of the system. Your comments regarding increased support for the position control and personnel components of the system address a concern that has existed since the system was first implemented.

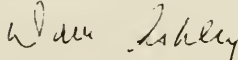
We concur with the comments made regarding control variables and reconciliation between SBAS and P/P/P. Our programming staff is aware of these issues and would cooperate with the State Auditor's Office if directed to analyze changes to the system.

As you note in the report, administrators from two of our divisions (Personnel and Information Services) meet quarterly with the Office of Budget and Programming Planning and the State Auditor's Office to oversee activities in P/P/P. This group has focused on the issues you identify as well as several major enhancement projects that are already underway. We believe the P/P/P System is one of the primary threads of consistency running through state government that allows for uniform

Jim Pellegrini
January 25, 1990
Page 2

planning, analysis and comparison. We are committed to keeping it healthy.

Sincerely,

A handwritten signature in cursive script that reads "Dave Ashley". The signature is written in dark ink and is positioned above the typed name and title.

Dave Ashley
Acting Director

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING



STAN STEPHENS, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 444 3616

HELENA, MONTANA 59620

RECEIVED

JAN 25 1990

Montana Legislative Council

MEMORANDUM

TO: Scott A. Seacat, Legislative Auditor

FROM: W. David Darby, Budget Director
Office of Budget and Program Planning

DATE: January 24, 1990

REF: Recommendation Response for P/P/P Performance Audit

The purpose of this memorandum is to respond to the performance audit of the P/P/P system. We would like to take this opportunity to thank you and your staff for the courteous and professional manner in which the audit was done. The Office of Budget and Program Planning (OBPP) is in agreement with your recommendations and is in the process of complying with them.

RECOMMENDATION #3:

A. Develop a formalized procedure manual detailing position control activities.

1. OBPP Response:

There has been an informal procedural document in the Office of Budget and Program Planning detailing all position control activities since January 23, 1984. To comply with your recommendation, we will revise and expand this document into a more detailed procedure manual. We expect to have this completed by January 1, 1991.

B. Initiate a backup procedure for position control review.

1. OBPP Response:

The Office of Budget and Program Planning is in the process of training a back-up person for all position control activities. This task is also scheduled to be completed by January 1, 1991.

T:\PC05\AUDIT

STATE AUDITOR
STATE OF MONTANA

RECEIVED

JAN 26 1990

Original Received 1/26/90

Andrea "Andy" Bennett
STATE AUDITOR



COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

January 25, 1990

Scott Seacat
Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

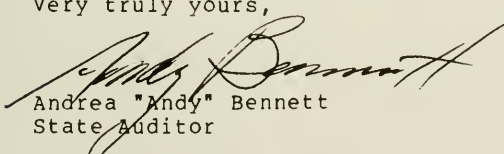
Dear Mr. Seacat:

Enclosed please find the State Auditor's responses to the recommendations for the P/P/P System Audit of personnel and position control.

I wish to thank you and your auditors for the professional manner in which the audit was conducted. I look forward to working with you in the future.

With best personal regards, I am

Very truly yours,


Andrea "Andy" Bennett
State Auditor

AB/dwp(230)
Encl.

Recommendation #1

We recommend the State Auditor's Office:

- A. Increase its support of the P/P/P system; and,
- B. Develop a User's Manual which promotes agency utilization of the P/P/P system.

We concur. However, we were unaware of the agencies' dissatisfaction with the P/P/P system. A survey was done in late 1982 that resulted in some positive changes. In a survey that was sent to the agencies in September of 1985, the general consensus was that the system was adequate for the major needs of the agencies that responded. A survey on the on-line system was done in October 1988, as a result we are proceeding with the on-line P/P/P system. When the on-line is complete the agencies will have immediate access to their own agency data. Training will be available to each agency as they are included in the on-line system. We are working on increasing agency support and are preparing a memorandum to inform the agencies of the P/P/P coordinating committee meetings schedule and requesting that the agencies bring their concerns to the committee, either in the form of a memorandum or by attending a meeting. A major rewrite of the P/P/P system users manual has begun and is scheduled for completion by June 30, 1990. The rewritten manual will include the completed portions of the on-line as well as updated instructions as to the use of the system and the reports that are available.

Recommendation #2

We recommend the State Auditor's office develop a procedures manual for the personnel and position control components of the P/P/P system.

We concur. A procedures manual is an important part of any office organization. Preliminary work has already begun on a manual for the personnel technician position. The manual is scheduled for completion by April 20, 1990.



